

TERMINAL RESELLER STUDY

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# TERMINAL RESELLER STUDY

Prepared For:

INTERNATIONAL BUSINESS MACHINES CORPORATION  
SYSTEM COMMUNICATIONS GROUP

JULY 1980

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## TERMINAL RESELLER STUDY

### ABSTRACT

A survey was conducted through interviews with manufacturers of teletype-compatible display and keyboard terminals in order to determine the contract terms and conditions under which they sold their terminals to resellers and end users.

A corollary set of interviews was done with resellers on the same topic areas to confirm the findings. Parameters surveyed included size of the reseller operation, services provided, end user applications, prospecting, purchasing habits, contract terms and conditions, product characteristic preferences, pricing, discounts, sales performance, maintenance and warranty policies and the economic outlook.

# TERMINAL RESELLER STUDY

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## I INTRODUCTION



## I INTRODUCTION

### A. PURPOSE AND SCOPE

- This report was prepared by INPUT as a custom study for the IBM System Communications Division located in Kingston (NY).
- The purpose of this study was to investigate the contract terms and conditions under which manufacturers of teletype-compatible terminals sell their terminals to resellers and end users.
- A corollary set of interviews was done with resellers on the same topic areas to confirm the findings.
- During the program interviews, IBM was not identified as the study sponsor.
- The respondents, in general, were helpful and cooperative during the telephone interviews, although several candidates refused to be interviewed for proprietary reasons. Many of the interviews were held with company Presidents and Vice Presidents.
- Operating policies and topics surveyed included:
  - Size of operation.
  - Service provided.
  - End user applications.



- Prospecting.
- Purchasing habits.
- Supplier contract terms and conditions.
- Product characteristic preferences.
- Pricing and discounts.
- Manufacturer and reseller performance.
- Sales activity.
- Maintenance and warranty.
- Economic outlook.

## B. RESEARCH METHODOLOGY

- A separate questionnaire was developed for the manufacturer and the reseller interviews by INPUT in a joint meeting with a market planning representative of the System Communications Division of IBM at Kingston (NY).
- Three different groups of resellers were interviewed:
  - Distributors.
  - Leasing companies (lessors).
  - Large retail chain store operations.
- A list of selected manufacturers and resellers was given to INPUT to be interviewed. Exhibit I-I shows a profile of the original candidates interviewed

## EXHIBIT I-1

## PROFILE OF CANDIDATES INTERVIEWED

TYPE OF COMPANY	NUMBER SELECTED BY IBM	NUMBER INTER- VIEWED (A)	NUMBER SUPPLE- MENTED BY INPUT	NUMBER INTER- VIEWED (B)	TOTAL NUMBER INTER- VIEWED (A+B)
MANUFACTURERS	6	3	3	3	6
DISTRIBUTORS	15	6	4	4	10
LESSORS	16	7	1	1	8
RETAILERS	5	3	0	0	3
TOTAL	42	19	8	8	27

and the number supplemented by INPUT to complete the total number of required interviews.

- It was agreed between IBM and INPUT that a total number of 27 telephone interviews would take place, itemized as follows:
  - Six manufacturers.
  - Ten distributors.
  - Eight leasing companies (lessors).
  - Three large retail chain stores.
- Supplementary candidates were selected by INPUT from the following source directories:
  - Datapro Buyers' Guide.
  - Electronic News Annual Issue of Distribution Trends.
  - The Computer Marketers' Directory published by MV Publishing Company, Newport Beach (CA).
  - Previous contacts made by INPUT in prior research studies.
- Over 50 companies in total were contacted by telephone to complete the survey. Because the NCC show was running simultaneously in Anaheim (CA) during the week of interviews, about one-third of the originally selected candidates could not be reached during the time allotted for interviews.
- The majority of manufacturers and resellers interviewed were large national organizations, ranking in the top 10 or 15 in their field. A few smaller manufacturers and regional resellers were interviewed to round out the sample.



- In the tables shown in Section III, respondents one through six represent manufacturers, respondents seven through 16 represent distributors, respondents 17 through 24 represent leasing companies, respondents 25 through 27 represent large retail chain stores.
- Respondent numbers are consistent throughout this report so that a particular response set can be tracked from exhibit to exhibit.
- Topics of inquiry in each questionnaire attempted to determine if correlation of marketing information exists among the sample of manufacturers and resellers interviewed.
- The average telephone interview lasted 20 minutes to one-half hour.
- A preliminary oral presentation of findings was made in Saddle Brook (NJ) to an IBM Market Planning Representative on June 2, 1980 and a final, formal, oral presentation was made to a group of 25 IBM people on June 10, 1980 at IBM facilities in Harrison (NY).
- The identity of the respondents remains anonymous with respect to the results obtained in the surveys.



## II EXECUTIVE SUMMARY





## II EXECUTIVE SUMMARY

### A. KEY FINDINGS

- Resellers indicated that margins on IBM teletype-compatible terminals are not high enough to be competitive with margins provided by other major terminal manufacturers in the same market.
- Lear Siegler was the name of the manufacturer distributors mentioned most as their sole supplier of teletype-compatible terminals.
- General Electric was the manufacturer distributors quoted most as having the most favorable and flexible contract terms and conditions to optimize sales and profits of their teletype-compatible terminals.
- One hundred percent (100%) of the manufacturers interviewed indicated that they had shipment rescheduling penalties and cancellation charges in their contracts with resellers of their teletype-compatible terminals.
- All categories of resellers ranked terminal delivery, and shipment flexibility and sensitivity to terminal cancellation charges, as the most important contract terms and conditions considered when deciding to represent a manufacturer's terminal line.
- The more successful resellers indicated that their field service operations were strong factors in developing additional sales of terminals with their accounts.

- Most resellers interviewed indicated that they received an average of 30-35% discount on 500 or more terminals sold in their contract year and an average of 25% discount off published list price on five or more terminal parts used in maintenance and repair.
- Most manufacturers and resellers interviewed did not have a good knowledge of the size of the EDP operations, type of computers, applications or vertical markets in which they sold or leased terminals.
- Profit margins and product reliability were the two most important overall concerns of the resellers interviewed when deciding which teletype-compatible terminal line to sell or lease.
- Ninety percent of the manufacturers indicated that they provided a separate delayed warranty period to an end user of their teletype-compatible terminals if the warranty period to the reseller had expired, or if the reseller did not extend its own warranty period to the end user.
- One hundred percent of all categories of resellers interviewed rated terminal performance and reliability high as a desired product characteristic in representing a teletype-compatible terminal line.
- Of all resellers interviewed, leasing companies were found to provide more equipment maintenance to end users than distributors or retailers.
- Of all resellers interviewed, leasing companies on the average sold or leased more teletype-compatible terminals with maintenance agreements than distributors by a factor of more than two to one.
- Sixty-seven percent to 75% of manufacturers, distributors and leasing companies did not notice a decline in the sales rate of teletype-compatible terminals in the last six months and did not expect a decline in the next six months.
- However, 66% of large retail chain stores did expect to see a decline in the sales rate of their terminals within the next six months.



### III FINDINGS



### III FINDINGS

#### A. INTRODUCTION

- The exhibits in this section were presented orally to IBM in Harrison (NY) on June 10, 1980.
- The results of the interviews, with comments, are outlined or summarized in the exhibits.
- Where appropriate, responses to the same question in both manufacturer and reseller questionnaires are merged together in the same exhibit.

# EXHIBIT III-1

## BRAND NAME TERMINALS SOLD, RENTED OR LEASED BY RESELLERS

TERMINAL BRAND NAME	NUMBER OF MENTIONS		
	DIS- TRIBUTORS	LESSORS	RETAILERS
IBM	2	3	0
DEC	2	4	0
LEAR SIEGLER	5	5	0
ADDS	1	1	2
TELETYPE	3	3	0
DIABLO	1	3	0
HAZELTINE	2	1	3
PERKIN-ELMER	1	0	1
TI	1	1	0
TELEVIDEO	1	1	1
INFOTON	1	1	0
DATA PRODUCTS	2	1	0
DATAPoint	0	1	0
DATA GRAPHICS	1	0	0
DATAMEDIA	2	0	0
SOROC	1	1	3
TELERAY	1	0	0
ZENITH	0	0	1
TOTAL	27	26	11



## EXHIBIT III-2

### COMMENTS ON BRAND NAME TERMINALS CARRIED BY RESELLERS

- Of all distributors and lessors surveyed, it appears that distributors carried a slightly broader line of terminals than leasing companies.
- Of all resellers surveyed, it appears that retailers carried a more constrained line of terminals than distributors or leasing companies, and usually with a smaller manufacturer.

# EXHIBIT III-3

## PROFILE OF RESELLERS INTERVIEWED

TYPE OF COMPANY	NUMBER OF SALES OFFICES		NUMBER OF STOCK- ING CENTERS		NUMBER- OF FULL TIME SALESPeOPLE	
	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE
DISTRIBUTORS	9	1-30	7	1-30	93	4-500
LESSORS	9	1-40	5	0-12	21	6-50
RETAILERS	75	33-116	3	1-6	345	250-450

## EXHIBIT III-4

### COMMENTS ON RESELLERS' OPERATING FACILITIES IN NORTH AMERICA

- Distributors and lessors interviewed had approximately the same number of sales offices, a larger number of stocking centers, and over three times as many sales people in North America.
- In general, both distributors' and lessors' sales offices also serve as an inventory/stock facility for the area.
- Retail chain stores surveyed had a much higher ratio of sales offices to inventory/stocking centers, and these stocking facilities tended to be much larger than those of distributors and lessors.
- Retail chain stores surveyed also tended to have a large number of their terminals shipped to their store facilities directly from the manufacturer.

# EXHIBIT III-5

## SERVICES PROVIDED BY RESELLERS TO TERMINAL USERS

TYPE OF COMPANY	EQUIPMENT INSTALLATION	EDUCATION AND TRAINING	EQUIPMENT MAINTENANCE	OTHER
DISTRI- BUTORS	50%	60%	40%	APPLICA- TIONS ENGINEER- ING
LESSORS	63	63	63	
RETAILERS	0	33	33	

## EXHIBIT III-6

### COMMENTS ON SERVICES PROVIDED BY RESELLERS TO TERMINAL USERS

- Of all the resellers interviewed, lessors provided more terminal installation, education and training and maintenance than distributors or retailers.
- During the course of reseller interviews, lessors indicated that they were trying to be more competitive with distributors by providing more end user services.
- Resellers in general indicated that it was usually less expensive for an end user to have its terminals repaired by the manufacturer than by the reseller.
- Because of the relatively low selling price of teletype-compatible CRT terminals, extensive maintenance and repair contracts were not practical options for end users.
- The more successful resellers indicated that their field service operations were strong factors in developing additional sales of terminals with their accounts.
- Resellers indicated that manufacturers' field service operations did not significantly undermine a reseller's field service operations, especially if these operations were of an appreciable size, quality and reliability.



# EXHIBIT III-7

## SERVICES PROVIDED BY MANUFACTURERS TO RESELLERS

PROVIDE/DO NOT PROVIDE SERVICE	EQUIPMENT INSTALLATION	EDUCATION AND TRAINING	EQUIPMENT MAINTENANCE
PROVIDE SERVICE	50%	66%	66%
DO NOT PROVIDE SERVICE	33	17	0
OPTIONAL	17	17	34
<p>• Over one-third of the manufacturers surveyed provided equipment maintenance as an option in contracts with their resellers.</p>			

## EXHIBIT III-8

END USER APPLICATIONS OF TELETYPE-  
COMPATIBLE DISPLAY TERMINALS

RESPON- DENT NUMBER	MINI- COMPUTERS	MAINFRAME COMPUTERS	MICRO- COMPUTERS	OTHER
1 2 3 4 5 6		DON'T KNOW DON'T KNOW DON'T KNOW DON'T KNOW  DON'T KNOW		TIE INTO OWN SYSTEM
7 8 9 10 11 12 13 14 15 16	90% 10 40  5 33  28 5	10% 50 DON'T KNOW 95 66 DON'T KNOW 70 95 DON'T KNOW	80%      22	10%  10
17 18 19 20 21 22 23 24	25  70 100  90 10 80	50 100 20  DON'T KNOW 10 10 20	25  5   35	5 TIMESHARING  45 TIMESHARING
25 26 27	 90 20	DON'T KNOW 10	  80	

## EXHIBIT III-9

### COMMENTS ON END USER APPLICATIONS OF TELETYPE-COMPATIBLE DISPLAY TERMINALS

- Eighty percent (80%) of all manufacturers and 24% of all resellers interviewed did not know the end user applications for their teletype-compatible display terminals.
- Their knowledge of end user vertical markets was equally poor.
- The remainder of the resellers interviewed said that they sold or leased an average of 48% and 47% of their terminals for mini and mainframe computers respectively. In most cases, the answers given by respondents were really uninformed guesses with wide variances.
- Twenty-five percent (25%) of the lessors interviewed said they leased a portion of their terminals for on-line time-sharing applications.
- Manufacturers tended to define their markets as OEMs, resellers and end users, while resellers tended to define their markets as OEMs, other resellers and end users.

EXHIBIT III-10

HOW RESELLERS PROSPECT  
FOR LEADS OF USERS OF TELETYPE-COMPATIBLE TERMINALS

METHOD	PERCENT OF RESPONDENTS USING METHOD		
	DISTRI- BUTORS	LESSORS	RETAILERS
COLD CALL	50%	63%	33%
TELEPHONE	50	50	33
ADVERTISING	70	63	66
DIRECT MAIL	70	75	0
WORD-OF-MOUTH REFERRAL	80	38	66
"BINGO CARDS"	50	25	0
EXISTING ACCOUNTS	30	25	0
OTHER (YELLOW PAGES, TRADE SHOWS)	0	13	33
<p>• Of all resellers interviewed, "word-of-mouth" referrals, direct mail and advertising were the most effective means of prospecting for users of teletype-compatible terminals.</p>			

# EXHIBIT III-11

## RESELLER SUPPLIERS OF TELETYPE- COMPATIBLE DISPLAY TERMINALS

TYPE OF COMPANY	PERCENT PURCHASING TERMINALS FROM MORE THAN ONE SUPPLIER	NUMBER OF SUPPLIERS (RANGE)	AVERAGE NUMBER OF SUPPLIERS
DISTRIBUTORS	60%	2-7	4
LESSORS	75	2-9	6
RETAILERS	66	2-4	3

- The most common reason given by resellers for purchasing terminals from more than one supplier was that they wanted a range of terminal prices and capabilities for their clients.
- Of all the distributors surveyed who did not purchase their teletype-compatible CRT terminals from more than one supplier, 100% indicated that they did not do so because they were satisfied with their relationship with the manufacturer.
- Lear Siegler was the manufacturer that distributors mentioned most as their sole supplier of terminals.
- Over 90% of all resellers interviewed were authorized distributors of the terminals which they sold, rented or leased.



EXHIBIT III-12

RESELLERS' PURCHASING HABITS

TYPE OF COMPANY	AVERAGE NUMBER OF TERMINALS ORDERED PER MONTH/SUPPLIER	PERCENT OF RESELLERS WHO "DRAW DOWN" FROM AN ANNUAL MASTER ORDER
DISTRIBUTOR	49	70%
LESSOR	103	75
RETAILER	150	66
AVERAGE	95	-
<ul style="list-style-type: none"> <li>Manufacturers surveyed indicated that a typical reseller orders an average of 78 terminals/month from them.</li> <li>Leasing companies interviewed indicated that they ordered an average of more than twice as many terminals per month per supplier than distributors (103 versus 49).</li> </ul>		

# EXHIBIT III-13

## TYPICAL PROFILE OF MANUFACTURER- RESELLER CONTRACT TERMS AND CONDITIONS

CONTRACT T & C's	TYPICAL CONTRACT
<ul style="list-style-type: none"> <li>• Front-end discounts</li> </ul>	<p>Majority of manufacturers provided this to their resellers.</p> <p>Tied into annual sales quota commitment by contract.</p>
<ul style="list-style-type: none"> <li>• Shipment rescheduling penalties</li> <li>• Delivery schedule agreement</li> <li>• Cancellation charges</li> </ul>	<p>100% of all manufacturers surveyed indicated that they put these into their reseller contracts, but enforced these policies at their discretion on a case-by-case basis.</p>
<ul style="list-style-type: none"> <li>• Minimum shipment volume</li> <li>• Provision for additional volume</li> </ul>	<p>About 50% of all resellers and manufacturers surveyed indicated that there was a stipulation for this in their contract.</p>
<ul style="list-style-type: none"> <li>• Prompt performance bonus</li> </ul>	<p>Resellers interviewed indicated that they knew of only one manufacturer which provided this in its contract.</p>
<ul style="list-style-type: none"> <li>• Price protection</li> </ul>	<p>Almost always for balance of contract.</p>

# EXHIBIT III-13 (CONT.)

## TYPICAL PROFILE OF MANUFACTURER- RESELLER CONTRACT TERMS AND CONDITIONS

CONTRACT T & C's	TYPICAL CONTRACT
<ul style="list-style-type: none"> <li>• Territory protection</li> </ul>	<p>Illegal Really means account protection to reseller</p> <p>Only given in less than 20% of the cases surveyed</p> <p>Usually a negotiated and pre-stipulated item in contract</p>
<ul style="list-style-type: none"> <li>• Payment terms</li> </ul>	<p>Net 30 days for all respondents surveyed</p>
<ul style="list-style-type: none"> <li>• Contract period</li> </ul>	<p>In almost all cases, "12 months"</p>
<ul style="list-style-type: none"> <li>• Shipment charges</li> </ul>	<p>"F.O.B. factor" for all respondents surveyed</p>
<ul style="list-style-type: none"> <li>• Delayed warranty</li> </ul>	<p>"90 days" for almost all respondents surveyed</p>
<ul style="list-style-type: none"> <li>• Co-op advertising and sales assistance</li> </ul>	<p>Over 75% of respondents indicated that they received or provided this benefit. However, most resellers did not consider this to be a very important item in their contract.</p>

## EXHIBIT III-14

### COMMENTS ON TYPICAL MANUFACTURER-RESELLER CONTRACT TERMS AND CONDITIONS

- Since the majority of resellers represented more than one terminal manufacturer, it is important to understand that their contract terms and conditions usually differed per manufacturer. In addition, "standard" manufacturer contracts are subject to negotiation by reseller as to their final terms and conditions. Therefore, when respondents answered questions pertaining to terms and conditions, their answers were based on the most prevalent terms and conditions provided by their group of manufacturers and the type of contracts they negotiated. A few respondents answered that "some of their manufacturers had certain terms and conditions while others didn't." This type of answer was tabulated as a "yes" answer in the survey. Double counting (i.e., a "yes and no" answer to the same question) was not used in the statistical analysis. Therefore the numbers are biased slightly on the high side by about 5-8% depending on the terms and conditions surveyed.
- Because of the different nature and modus operandi of each of the three types of resellers interviewed, the numerical data for each category should not be looked upon for direct comparison purposes.

EXHIBIT III-15

MANUFACTURERS' CONTRACT TERMS AND CONDITIONS  
RATED BY RESELLERS

CONTRACT TERMS AND CONDITIONS REQUIRED BY MANUFACTURER	DISTRI- BUTORS	LESSORS	RETAILERS
PAYMENT TERMS	20%	29%	67%
CANCELLATION CHARGES	40	57	100
DELIVERY AND SHIP- MENT FLEXIBILITY	60	100	100
WARRANTY PERIODS	30	57	67
DELAYED WARRANTY	40	57	33
CO-OP ADVERTISING AND SALES ASSISTANCE	20	57	0

NOTE: THE ABOVE AVERAGES WERE OBTAINED FOR EACH CATEGORY OF RESPONDENT TO EACH OF THE FOLLOWING MANUFACTURER - RESELLER CONTRACT TERMS AND CONDITIONS.



# EXHIBIT III-16

## RESELLERS' RANKING OF CONTRACT TERMS AND CONDITIONS

RANK	DISTRIBUTORS	LESSORS	RETAILERS
1	DELIVERY AND SHIPMENT FLEXIBILITY	DELIVERY AND SHIPMENT FLEXIBILITY	DELIVERY AND SHIPMENT FLEXIBILITY
2	CANCELLATION CHARGES, DELAYED WARRANTY	CANCELLATION CHARGES, WARRANTY PERIODS, DELAYED WARRANTY, CO-OP ADVERTISING AND SALES	WARRANTY PERIODS
3	WARRANTY PERIODS	PAYMENT TERMS	
4	PAYMENT TERMS, CO-OP ADVERTISING AND SALES ASSISTANCE		

1 = MOST IMPORTANT  
4 = LEAST IMPORTANT

## EXHIBIT III-17

### COMMENTS ON RESELLERS' RANKING OF CONTRACT TERMS AND CONDITIONS

- All resellers interviewed indicated that delivery and shipment flexibility terms and conditions were the most important contract terms when deciding which terminal supplier to represent.
- Cancellation charges and warranty periods were a close second and third concern by resellers.
- Again retailers appeared to be most sensitive, lessors moderately sensitive, and distributors least sensitive to warranty-period contract terms and conditions.
- Resellers were least concerned about co-op advertising and sales assistance.

## EXHIBIT III-18

### MOST IMPORTANT CONTRACT TERM OR CONDITION EXPRESSED BY MANUFACTURER

- "Keeping price integrity - by not dumping terminals on reseller and undermining his market."
- "Prompt payment - a bad payer always gets worse in his payments."
- "Prompt payment, meet sales quota, know their business - ideal reseller."
- "Equipment discount is what a reseller looks for most."
- "Reseller performance - the ability and desire to meet stated sales quotas many times determines our profitability."
- "Prompt payment and ability to meet sales quota - major factors in determining our profits."

EXHIBIT III-19

RESELLERS' OPERATIONS REQUIRED  
BY MANUFACTURER

TERMS AND CONDITIONS REQUIRED BY MANUFACTURER	MANU- FACTURERS	DISTRI- BUTORS	LESSORS	RETAILERS
MINIMUM NUMBER OF SALESPeOPLE	17%	20%	14%	33%
MINIMUM INVENTORY LEVELS	17	10	14	33
PROVIDE INSTALLATION SUPPORT	50	20	43	0
PROVIDE MAINTENANCE SUPPORT	50	40	43	0
NOT TO REPRESENT COMPETITIVE LINES	33	40	57	0
MINIMUM LEVEL OF CAPITALIZATION	50	50	57	33
MEET MINIMUM SALES QUOTA	100	60	86	33

EXHIBIT III-20

RANKING OF RESELLERS'  
OPERATIONS REQUIRED  
BY MANUFACTURER

REQUIREMENT	MANU- FACTURER	DISTRI- BUTOR	LESSOR	RETAILER
MINIMUM NUMBER OF SALESPEOPLE	4	4	4	1
MINIMUM INVENTORY LEVELS	4	5	4	1
PROVIDE INSTALLATION SUPPORT	2	4	3	2
PROVIDE MAINTENANCE SUPPORT	2	3	3	2
NOT TO REPRESENT COMPETITIVE LINES	3	3	2	2
MINIMUM LEVEL OF CAPITALIZATION	2	2	2	1
MEET MINIMUM SALES QUOTA	1	1	1	1

NOTE: RANKED FROM MOST FREQUENTLY (1)  
TO LEAST FREQUENTLY MENTIONED (5)

## EXHIBIT III-21

TERMINAL CHARACTERISTICS  
RATED HIGHLY BY RESELLERS

TERMINAL CHARACTERISTICS	DISTRI- BUTORS	LESSORS	RETAILERS
APPEARANCE	80%	63%	66%
PERFORMANCE	100	100	100
PRICE	70	63	66
MARGIN	80	88	100
OPERATING FEATURES AND FUNCTIONS	70	63	0
RELIABILITY	100	100	100
SOFTWARE AND MECHANICAL COMPATIBILITY	90	63	66
SYSTEM EXPANDABILITY	60	50	0
EASE OF INSTALLATION	50	63	33
AUTO-DIAGNOSTIC CAPABILITY	30	38	0
SUPPLIER'S REPUTATION	70	100	100



EXHIBIT III-22

RANKING OF TERMINAL CHARACTERISTICS  
RATED HIGHLY BY RESELLERS

RANK	DISTRIBUTORS	LESSORS	RETAILERS
1	PERFORMANCE RELIABILITY	PERFORMANCE RELIABILITY SUPPLIER REPUTA- TION	PERFORMANCE RELIABILITY SUPPLIER REPUTA- TION MARGIN
2	COMPATIBILITY	MARGIN	COMPATIBILITY PRICE APPEARANCE
3	MARGIN APPEARANCE	PRICE APPEARANCE COMPATIBILITY OPERATING FUNCTIONS EASE OF INSTALLATION	EAST OF INSTAL- LATION
4	PRICE OPERATING FUNCTIONS SUPPLIER REPUTATION	EXPANDABILITY	EXPANDABILITY OPERATING FUNCTIONS AUTO-DIAGNOSTICS
5	EXPANDABILITY	AUTO-DIAGNOSTICS	
6	EASE OF INSTALLATION		
7	AUTO-DIAGNOSTICS		

1 = MOST IMPORTANT

7 = LEAST IMPORTANT

## EXHIBIT III-23

### COMMENTS ON RANKING OF TERMINAL CHARACTERISTICS BY RESELLERS

- Terminal performance and reliability were ranked number one in importance by all categories of resellers deciding which terminal supplier to represent.
- Margins were ranked higher than price in importance by all resellers when deciding which terminal supplier to represent.
- Of all resellers interviewed, sensitivity to margins, price, ease of installation and terminal auto-diagnostic capability appeared to be greatest among retailers, more moderate among lessors and least evident among distributors.

EXHIBIT III-24

RESELLERS' OVERALL CONCERNS IN DECIDING  
WHICH TELETYPE-COMPATIBLE TERMINALS TO SELL/LEASE

- Profit margins and product reliability were the two most important overall concerns mentioned by resellers when deciding which teletype-compatible display terminals to sell or lease.

## EXHIBIT III-25

### MANUFACTURERS' PERCEPTIONS OF RESELLERS' GREATEST CONCERNS IN REPRESENTING TERMINAL LINE

- "Territory/account protection; suddenly announced pricing discounts."
- "Immediate delivery."
- "Company and product stability and reliability."
- "Price discounts and margins."
- "Quick deliveries, reliability and service."
- "Price advantage over foreign competitive terminal products."

EXHIBIT III-26

RESELLERS' DESIRED CHANGES IN MANUFACTURERS' BUSINESS PRACTICE  
TO INCREASE SALES AND PROFITS

- "Don't set up too many distributors in any one territory."
- "Keep an orderly control of market supply and demand factors."
- "Faster terminal delivery and higher margins."
- "Adjust contract terms and conditions for size of reseller."
- "Manufacturers should keep their promises and commitments on time."
- "Manufacturers should do a better job in planning a terminal product line."

## EXHIBIT III-27

MANUFACTURERS' DESIRED CHANGES IN RESELLERS' BUSINESS PRACTICE  
TO INCREASE TERMINAL SALES AND PROFITS

- "Reseller should stop asking for unrealistically low prices when it is not necessary to make a good profit."
- "Reseller should provide more customer service and improve their marketing and sales training programs."



EXHIBIT III-28

MANUFACTURERS' COMMENTS ON THE MOST IMPORTANT FACTORS  
TO HELP INCREASE TERMINAL SALES AND PROFITS

- "Provide better service to OEMs, resellers and end users."
- "Decrease our manufacturing lead time."
- "Be a partner with the reseller; not just a maverick working toward independent goals."
- "Better plan our terminal distribution and selling programs with our resellers."
- "Add quality reseller organizations; delete borderline performing and 'discount house' type resellers."
- "Increase brand name recognition and acceptance through advertising, equipment reliability, etc."

EXHIBIT III-29

ORGANIZATIONAL CHARACTERISTICS SOUGHT IN  
RESELLERS BY MANUFACTURERS

- "Reputation and image of reseller in marketplace."
- "Can meet financial profile and objectives."
- "Has a business plan and can successfully implement it."
- "Technical competence; good reputation with end users."
- "Good track record; financial credentials; size and quality of sales force."
- "Financial credentials; size of sales force."

## EXHIBIT III-30

### MANUFACTURER-PROVIDED INCENTIVES FOR RESELLER TO REPRESENT TERMINAL LINE

- Good contract and a "home run" product.
- Discounts on large-volume sale amounts.
- Minimize contract restrictions; increase breadth of product line.
- Short delivery times; factory training and field service support.

EXHIBIT III-31

MANUFACTURERS' REASONS FOR WORKING WITH RESELLERS  
IN SELLING TELETYPE-COMPATIBLE TERMINALS

- "Resellers go more aggressively after end user market."
- "Resellers maintain more contact; multiplier effect."
- "Can move more products per unit time."
- "Value added from application software end of market."
- "Cost of sales substantially less."

## EXHIBIT III-32

### MANUFACTURERS' COMMENTS ON BENEFITS OF WORKING WITH RESELLERS OF TELETYPE-COMPATIBLE TERMINALS

- All manufacturers surveyed indicated that it was more profitable to work with resellers in selling their teletype-compatible terminals.

#### REASONS

- "We're engineers; they're salespeople."
- "Greatly reduced number of salespeople, offices, travel and overhead."
- "Less overhead, same or better results."
- "Seek application software value added in their terminal line."
- "Much less trouble and overhead."

EXHIBIT III-33

MANUFACTURERS' COMMENTS ON THE MOST  
IMPORTANT PRESENT AND FUTURE MARKETS  
FOR TELETYPE-COMPATIBLE TERMINALS

PRESENT	FUTURE
<p>MINICOMPUTERS ALL MARKETS</p> <p>N/C</p> <p>COMMERCIAL END USER AND OEM SPECIAL TERMINAL MARKETS</p>	<p>SMALL BUSINESS SMALL BUSINESS, MANUFACTURING, INDUSTRIAL</p> <p>N/C</p> <p>COMMERCIAL ALL MARKETS</p> <p>DON'T KNOW</p>



## EXHIBIT III-34

### AVAILABILITY AND OPERATION OF MANUFACTURERS' DIRECT SALES FORCES

- Eighty three percent (83%) of the manufacturers interviewed indicated that they had a direct sales organization.
- One hundred percent (100%) of these manufacturers indicated that they do not compete with the resellers' field sales organizations.
- All of these manufacturers also indicated that their sales people sell directly to OEMs and/or Fortune 1,000 companies and provide field sales training and support to resellers in their selling efforts.
- Almost every manufacturer interviewed indicated that it was not necessary to pay commissions to resellers for such accounts in their territory. A small number of manufacturers said that they pay a double commission for such sales -- one to the reseller; one to their own salespeople.
- In a double commission situation, resellers expressed concern that the manufacturers' salesperson also be assured of getting a commission.

# EXHIBIT III-35

## TERMINAL DISCOUNTS TO RESELLERS

RESPONDENT NUMBER	UNITS SOLD/TIME AND DISCOUNT RATE
1	FLAT PERCENT - NO BREAKPOINTS FOR TERM OF CONTRACT.
2	32% - MINIMUM OF 100.
3	40% ON 1,000 UNITS AND ABOVE.
4	25% - WON'T DIVULGE SPECIFICS.
5	36-40% ON 200 UNITS PLUS.
6	20-30% ON 100, 250, 500 BREAKPOINTS.
7	NONE.
8	20% ON 500 UNITS; 25-29% ON 1,000, 1,500, 2,000, 3,000 UNITS.
9	30-50% - FIRST BREAK AROUND 500 UNITS.
10	50-100 = 5%; GREATER THAN 100 = 10%; OVER 250 NEGOTIABLE.
11	CONFIDENTIAL
12	40% AT 1,000 UNITS.
13	CONFIDENTIAL
14	35% ON 200-500 UNITS.
15	30% AVERAGE.
16	CONFIDENTIAL
17	TI 35% ON 500+; DEC 35-40% ON 500+.
18	UP TO 35% ON 500 UNITS.
19	35% ON 500.

EXHIBIT III-35 (CONT.)

TERMINAL DISCOUNTS TO RESELLERS

RESPONDENT NUMBER	UNITS SOLD /TIME AND DISCOUNT RATE
20	25% ON 4-20 UNITS.
21	CONFIDENTIAL
22	YES, BUT CONFIDENTIAL
23	30-40% ON 500 UNITS OR MORE.
24	35% ON 500 UNITS OR MORE.
25	40-45% ON 500 UNITS OR MORE
26	40% ON 1,000 OR MORE; 25% UNDER 100.
27	N/A

EXHIBIT III-36

PARTS DISCOUNTS TO RESELLERS

RESPONDENT NUMBER	UNITS SOLD/TIME AND DISCOUNT RATE
1	SAME AS TERMINALS
2	MAXIMUM OF 25%.
3	PARTS DISCOUNT A FUNCTION OF TERMINAL SHIPMENTS TO RESELLER.
4	NO PARTS DISCOUNTS.
5	5-10% LESS THAN ON TERMINALS ON 10 UNITS AND ABOVE.
6	10-20% OF PUBLISHED LIST PRICE FROM UNIT ONE.
7	NONE.
8	DON'T DEAL IN PARTS.
9	ABOUT 25% OFF LIST FROM UNIT ONE.
10	10% FOR 25-50 BOARDS.
11	NO.
12	NO PARTS DISCOUNT.
13	CONFIDENTIAL
14	FLAT 35%.
15	NO PARTS DISCOUNT.
16	CONFIDENTIAL
17	35% OFF LIST; DEC's KIT OF 5 UNITS = 20%.
18	AVERAGE 35% FROM UNIT ONE OFF LIST.
19	NOT USUALLY.
20	NO PARTS DISCOUNT.

EXHIBIT III-36 (CONT.)

PARTS DISCOUNTS TO RESELLERS

RESPONDENT NUMBER	UNITS SOLD/TIME AND DISCOUNT RATE
21	CONFIDENTIAL
22	YES, BUT CONFIDENTIAL.
23	25% AVERAGE WITH FIVE OR MORE.
24	25% TO 50% ON FIVE OR MORE UNITS.
25	40-50%.
26	NEGOTIABLE.
27	40%+ ON 500+.

## EXHIBIT III-37

## DISPLAY TERMINAL ANNUAL SALES

RESPON- DENT	NUMBER OF UNITS		
	1978	1979	1980 PROJECTED
1	N/A	100,000	N/A
2	N/A	N/A	N/A
3	21,000	42,000	57,000
4	35,000	70,000	140,000
5	N/A	N/A	N/A
6	10,500	12,000	13,500
7	N/A	N/A	N/A
8	1,350	1,500	1,650
9	7,500	6,000	6,000
10	200	400	500
11	N/A	N/A	N/A
12	2,000	3,000	4,500
13	N/A	N/A	N/A
14	500	700	800
15	N/A	N/A	N/A
16	N/A	N/A	N/A
17	N/A	3,000	3,300
18	N/A	N/A	N/A
19	2,000	4,000	6,000
20	N/A	N/A	N/A
21	N/A	N/A	N/A
22	N/A	N/A	N/A
23	1,700	2,000	2,400
24	1,000	1,500	2,100
25	N/A	4,500	5,000
26	N/A	N/A	N/A
27	N/A	5,000	6,000



## EXHIBIT III-38

AVERAGE ANNUAL DISPLAY  
TERMINAL SALES PROFILE

TYPE OF COMPANY	AVERAGE NUMBER OF UNITS		
	1978	1979	1980
MANUFACTURERS	22,100	56,000	70,100
DISTRIBUTORS	2,310	2,320	2,690
LESSORS	1,560	2,630	3,450
RETAILERS	N/A	4,750	5,500

## EXHIBIT III-39

## KEYBOARD TERMINAL ANNUAL SALES

RESPONDENT	NUMBER OF UNITS		
	1978	1979 1979	1980 PROJECTED
1	N/A	N/A	N/A
2	N/A	N/A	N/A
3	N/A	N/A	N/A
4	INCLUDED WITH DISPLAY TERMINALS		
5	N/A	N/A	N/A
6	N/A	N/A	N/A
7	N/A	N/A	N/A
8	INCLUDED WITH DISPLAY TERMINALS		
9	2,200	1,800	1,800
10	50	75	100
11	N/A	N/A	N/A
12	650	1,200	2,500
13	N/A	N/A	N/A
14	50	70	80
15	N/A	N/A	N/A
16	N/A	N/A	N/A
17	N/A	2,000	2,200
18	N/A	N/A	N/A
19	85% OF ALL TERMINALS SOLD		
20	N/A	N/A	N/A
21	N/A	N/A	N/A
22	N/A	N/A	N/A
23	2,125	2,500	3,000
24	2,000	3,000	5,000
25	N/A	N/A	N/A
26	N/A	N/A	N/A
27	N/A	1,000	1,200

## EXHIBIT III-40

AVERAGE ANNUAL KEYBOARD  
TERMINAL SALES PROFILE

TYPE OF COMPANY	AVERAGE NUMBER OF UNITS		
	1978	1979	1980
MANUFACTURERS	N/A	N/A	N/A
DISTRIBUTORS	740	790	1,120
LESSORS	2,060	2,500	3,400
RETAILERS	N/A	1,000	1,200

EXHIBIT III-41

TELETYPE-COMPATIBLE  
TERMINAL SALES OPTIONS

TYPE OF COMPANY	AVERAGE PERCENT SOLD		
	WITH MAINTENANCE AGREEMENT	WITH ATTACHED PRINTER	MOST FREQUENTLY USED NAME BRAND PRINTER
DISTRIBUTORS	25%	17%	TEXAS INSTRUMENT
LESSORS	54	17	TEXAS INSTRUMENT
RETAILERS	33	5	N/A

EXHIBIT III-42

AVERAGE TERMINAL SALES PROFILE BY TYPE OF RESELLER

TYPE OF COMPANY	PER- CENT SOLD	PERCENT RENTED	PERCENT LEASED	PERCENT RENTED / LEASED WITH PURCHASE OPTION	LARGEST NUMBER OF UNITS SOLD/LEASED/ CUSTOMER/YR.	LARGEST NUMBER OF TERMINALS SOLD/LEASED TO A TYPICAL CUSTOMER IN 1979
DISTRI- BUTOR	80%	0	18%	2%	10-450	2-10 AVG. =4
LESSOR	54	7%	36	2	30-350	2-10 AVG. =5
RETAILER	100	0	0	0	5-38	1- 3 AVG. =2

# EXHIBIT III-43

## SALES PROFILE OF MANUFACTURERS OF TELETYPE-COMPATIBLE TERMINALS

LARGEST NUMBER SOLD/ YEAR/RESELLER	AVERAGE NUMBER SOLD TO A TYPICAL CUSTOMER IN 1979	AVERAGE NUMBER ORDERED BY A TYPICAL RESELLER /MONTH
750-2,000+	50-500	50-125
<ul style="list-style-type: none"> <li>All manufacturers indicated that terminals are ordered by resellers via a monthly "draw down" from a master order entered during the beginning of the contract year.</li> </ul>		



EXHIBIT III-44

TERMINAL WARRANTY CONDITIONS  
AS STATED BY RESELLERS

TYPE OF COMPANY	AVERAGE WARRANTY PERIOD TO RESELLER (DAYS)	WHEN WARRANTY USUALLY STARTS	INDICATED "DELAYED" WARRANTY TO END USER	AVERAGE LENGTH OF "DELAYED" WARRANTY TO END USER (DAYS)
DISTRI- BUTOR	87	WHEN TERMINAL	30%	90
LESSOR	109	LEAVES	100	90
RETAILER	120	FACTORY	100	90
ALL RESELLERS	105		77%	90

## EXHIBIT III-45

### MANUFACTURERS' STATED WARRANTY CONDITIONS TO RESELLERS AND END USERS

- Sixty-six percent (66%) of the manufacturers interviewed provided the reseller with a 60-90 day terminal warranty. One manufacturer provided its resellers with a one-year equipment warranty and another manufacturer provided a 180-day warranty.
- Fifty percent (50%) of the manufacturers interviewed provided resellers with warranties that covered both parts and labor.
- Most manufacturers provided end users with a 90-day equipment warranty if sold directly, or a 90-day extended warranty if sold through a reseller.

EXHIBIT III-46

RESELLERS' TERMINAL MAINTENANCE SOURCE

MAINTENANCE PROVIDED BY RESELLER	MAINTENANCE PROVIDED BY MANUFACTURER	MAINTENANCE PROVIDED BY THIRD PARTY
50%	72%	28%

EXHIBIT III-47

RESELLERS'  
TERMINAL MAINTENANCE POLICIES

TYPE OF COMPANY	RESELLER FIELD SERVICE		MANUFACTURER FIELD SERVICE		THIRD PARTY	CUSTOMER SERVICES OWN
	ON- SITE	AT SALES OFFICE	ON- SITE	AT DEPOT / FACTORY		
DISTRI- BUTOR	40%	10%	50%	60%	30%	10%
LESSOR	50	38	38	50	25	0
RETAILER	0	67	67	100	66	0

EXHIBIT III-48

COMMENTS ON RESELLERS' TERMINAL MAINTENANCE POLICIES

- Distributors and retailers interviewed depended more than lessors on manufacturers to service the teletype-compatible terminals which they sold or leased.
- Sixty-six percent (66%) of retailers interviewed indicated that the terminals which they sold were serviced by third parties.

## EXHIBIT III-49

### MANUFACTURERS' TERMINAL MAINTENANCE POLICIES

- Eighty-three (83%) of manufacturers surveyed indicated that they do perform terminal maintenance for both the reseller and the end user.
- Roughly half the manufacturers perform major terminal maintenance at a depot/factory and minor repairs at the user site.
- Otherwise, the reseller or a third party is responsible for equipment maintenance.

EXHIBIT III-50

EFFECT OF ECONOMY ON TELETYPE -  
COMPATIBLE TERMINAL SALES

TYPE OF COMPANY	DID NOT NOTICE A SALES DECLINE IN LAST 6 MONTHS	DOES NOT EXPECT A SALES DECLINE IN NEXT 6 MONTHS
MANUFACTURER	67%	67%
DISTRIBUTOR	100	70
LESSOR	75	75
RETAILER	67	34



EXHIBIT III-51

RESPONDENTS' COMMENTS  
ON ECONOMIC OUTLOOK

- No decline.
  - "Low ticket item."
  - "Strong market potential - just barely tapped."
  - "Terminal sales lag economy by six or more months."
- Decline.
  - "Recession."
  - "Tight credit/high interest rates."
  - "Substitution at high end of intelligent terminal lines with small business computers."



## APPENDIX: QUESTIONNAIRES



## RESELLER SURVEY QUESTIONNAIRE

- What terminals do you sell?

ORGANIZATION

1. How many sales offices and distribution warehouses do you have in North America?

Number of Sales OfficesNumber of Warehouses


---



---



---



---

2. How many full time sales people do you have in North America?

SERVICE

3. What type of services do you provide your customers?

- ( ) Equipment installation
- ( ) Education and training
- ( ) Equipment maintenance
- ( ) Other. (Specify.)

APPLICATIONS

4. What percentage of your TTY display terminals are used with:

1. Mini computers-in small business installations \_\_\_\_\_ %
2. Large computers-in large computer facilities \_\_\_\_\_ %
3. Other prime users \_\_\_\_\_ %

---

100%

INPUT



## RESELLER SURVEY QUESTIONNAIRE

- What terminals do you sell?

ORGANIZATION

1. How many sales offices and distribution warehouses do you have in North America?

Number of Sales OfficesNumber of Warehouses


---



---



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---

2. How many full time sales people do you have in North America?

SERVICE

3. What type of services do you provide your customers?

- ( ) Equipment installation
- ( ) Education and training
- ( ) Equipment maintenance
- ( ) Other. (Specify.)

APPLICATIONS

4. What percentage of your TTY display terminals are used with:

1. Mini computers-in small business installations \_\_\_\_\_ %
2. Large computers-in large computer facilities \_\_\_\_\_ %
3. Other prime users \_\_\_\_\_ %

100%

INPUT



PROSPECTING

5a. How do you prospect for leads on people interested in buying, renting or leasing TTY display terminals?

- ☐ In person cold calling.
- ☐ Telephone prospecting.
- ☐ Advertising.
- ☐ Direct mail.
- ☐ Word of mouth referrals.
- ☐ Other. Specify.

5b. Which is most effective?

PURCHASING

6a. Do you purchase your TTY display terminals from more than one supplier?

☐ YES      ☐ NO

Why?

6b. If the answer to 6a above is YES, how many suppliers?

6c. If the answer to 6a above is NO, are you considered an authorized distributor?

( ) YES ( ) NO

6d. For what brand names?

7a. What is the average number of TTY display terminals ordered from each of your suppliers

\_\_\_\_\_ per month.

\_\_\_\_\_ per quarter.

7b. Are these terminals ordered via a "draw down" from an intended number of units to be purchased from your supplier over the course of the year?

( ) YES ( ) NO

#### SUPPLIER CONTRACT TERMS AND CONDITIONS

8. Does your contract with the supplier include:

	<u>YES</u>	<u>NO</u>
Front end discounts	_____	_____
Shipment rescheduling rules	_____	_____
Delivery schedule agreement	_____	_____
Cancellation charges	_____	_____
Minimum shipment volumes	_____	_____
Provision for additional volumes	_____	_____
Prompt performance bonus	_____	_____

	<u>YES</u>	<u>NO</u>
Price protection (number of months _____)	_____	_____
Protection of territory (from supplier and other resellers)	_____	_____
Payment terms (Terms _____)	_____	_____
Contract period (number of months _____)	_____	_____
Shipment charges (type _____)	_____	_____
Delayed equipment warranty (number of days _____)	_____	_____
Co-op advertising/sales assistance	_____	_____

9. Does your supplier require you to:

	<u>YES</u>	<u>NO</u>
Have a minimum number of salespeople	_____	_____
Maintain minimum inventory levels	_____	_____
Provide installation support	_____	_____
Provide maintenance support	_____	_____
Not represent competitive product lines	_____	_____
Maintain a certain level of capitalization	_____	_____
Meet a minimum annual sales quota	_____	_____
Meet any other conditions	_____	_____
_____	_____	_____
_____	_____	_____

PRODUCT PREFERENCE

10a. How would you rate the following product characteristics when deciding on which TTY display supplier(s) to represent?

(Assume terms, conditions and prices are equal)

	<u>Low</u>	<u>Meduim</u>	<u>High</u>
Product appearance	_____	_____	_____
Product performance	_____	_____	_____
Product price	_____	_____	_____
Product margin	_____	_____	_____
Operating features and functions	_____	_____	_____
Equipment reliability	_____	_____	_____
Software and mechanical compatibility	_____	_____	_____
System expandability	_____	_____	_____
Ease of installation	_____	_____	_____
End user and auto diagnostic capability	_____	_____	_____
Supplier reputation	_____	_____	_____

10b. Which of these characteristics is most important to you in making a decision to represent a terminal line?

11a. How would you rate the following contract terms and conditions when deciding on which TTY display supplier(s) to represent?

	<u>Low</u>	<u>Medium</u>	<u>High</u>
Payment terms	_____	_____	_____
Cancellation charges	_____	_____	_____
Delivery and shipment flexibility	_____	_____	_____
Warranty periods	_____	_____	_____
Delayed warranty	_____	_____	_____
Co-op advertising/sales assistance	_____	_____	_____

11b. Which is the most important factor to you in deciding to carry these terminals?

12. What is the most important overall factor in your decision to sell a particular brand name TTY display terminal?

12b. Why?

PRICING AND DISCOUNTS

13a. What is the nature of the discounts which you are getting from your principal supplier on TTY display terminals?

(Units sold/time and discount rate)

13b. Do you get discounts on parts?

( ) YES      ( ) NO

What are the terms?

PERFORMANCE

14a. What changes in business practice would you like to see from your supplier to help you increase sales and profits with their terminal line?

SALES

- 15a. How many TTY display terminals and TTY keyboard printers did you sell, rent or lease in 1978, 1979 and project for 1980?

Number of Units197819791980

TTY Display Terminals

TTY Keyboard Printers

- 15b. What percentage of TTY display terminals were sold with a maintenance agreement?  
\_\_\_\_\_ %

- 16a. What percentage of the 1980 TTY display terminals will be sold with an attached printer? \_\_\_\_\_ %

- 16b. What brand name printer?

17. What percentage of your TTY displays are:

1. \_\_\_\_\_ % Sold
2. \_\_\_\_\_ % Rented
3. \_\_\_\_\_ % Leased
4. \_\_\_\_\_ % Rented/leased with purchase option

- 18a. What is the largest number of TTY display terminals that you have sold to any one customer in any one year?



18b. What is the average number of TTY display terminals sold to a typical customer in 1979?

- ( ) 0-5  
( ) 6-50  
( ) More than 50

### MAINTENANCE

19a. How long is the terminal warranty period from the supplier?

19b. When does the warranty period start?

19c. Is there a "delayed" warranty from the supplier to the end user?

- ( ) YES      ( ) NO

20. Who is responsible for equipment maintenance?

- ( ) Resellers own field service  
\_\_\_\_\_ on-site.  
\_\_\_\_\_ at warehouse.
- ( ) Manufacturers field service  
\_\_\_\_\_ on-site.  
\_\_\_\_\_ at factory.
- ( ) Third party.
- ( ) Customer services own units.

ECONOMIC OUTLOOK

21a. Have you noticed a decline in the growth rate of your TTY display terminal sales and new orders in the last 6 months?

( ) YES      ( ) NO

21b. If the answer to 21a is NO, do you expect to see a decline in the growth rate of your sales and new orders in the next 6 months?

( ) YES      ( ) NO

Why?

## MANUFACTURER'S SURVEY QUESTIONNAIRE

- Brandname or model number of TTY display terminals manufactured.

SERVICE

1. What type of services do you provide resellers?

RESELLERS

- ( ) Equipment installation.
- ( ) Education and training.
- ( ) Equipment maintenance.
- ( ) Other. Specify.

- 2a. How long is your equipment warranty period for the reseller?

- 2b. What does it include?

- 2c. How long is your equipment warranty period for the end user?

APPLICATIONS

3. What percentage of the TTY display terminals which you sell directly to end users are used with:

- |    |   |         |
|----|---|---------|
| 1. | Mini computers-in small business installations  | _____ % |
| 2. | Large computers-in large business installations | _____ % |
| 3. | Other prime users                               | _____ % |
|    |   | _____   |
|    |   | 100%    |

MAINTENANCE

4a. Do you perform equipment maintenance:

- |                         |         |        |
|-------------------------|---------|--------|
| _____ For the reseller? | ( ) YES | ( ) NO |
| _____ For the end-user  | ( ) YES | ( ) NO |

4b. If the answer to 4a is YES, where do you perform it?

- ( ) At factory.
- ( ) At reseller/end user site.

4c. If the answer to 4a is NO, who does perform equipment maintenance?

MANUFACTURER CONTRACT TERMS AND CONDITIONS

5. Does your contract with the reseller include:

	<u>YES</u>	<u>NO</u>
Front end discounts	_____	_____
Shipment rescheduling rules	_____	_____
Delivery schedule agreement	_____	_____
Cancellation charges	_____	_____
Minimum shipment volumes	_____	_____
Provision for additional volumes	_____	_____
Prompt performance bonus	_____	_____
Price protection (number of months _____)	_____	_____
Protection of territory (from supplier and other resellers)	_____	_____
Payment terms (Terms _____)	_____	_____
Contract period (number of months _____)	_____	_____
Shipment charges (type _____)	_____	_____
Delayed equipment warranty (number of days _____)	_____	_____
Co-op advertising/sales assistance	_____	_____

6. Do you require your resellers to:

	<u>YES</u>	<u>NO</u>
Have a minimum number of salesmen	_____	_____
Maintain minimum inventory levels	_____	_____
Provide installation support	_____	_____
Provide maintenance support	_____	_____
Not represent competitive product lines	_____	_____
Maintain a certain level of capitalization	_____	_____
Meet a minimum annual sales quota	_____	_____
Meet any other conditions	_____	_____
_____	_____	_____
_____	_____	_____

PRICING AND DISCOUNTS

7a. What discounts do you give to your resellers?  
(Specify units sold/time and discount rate)

7b. Do you give them discounts on parts?

( ) YES ( ) NO

What are the terms of discount?

PROSPECTING

8a. What organizational characteristics do you look for in a reseller to be qualified to represent and sell your TTY display terminals?

8b. What incentives do you offer a qualified reseller to represent and sell your TTY display terminals as an authorized dealer?

PERFORMANCE

9. What is the most important term or condition in your contract with the reseller?

Why?

10. What is the greatest concern by the resellers in representing and selling your TTY display terminals?

Why?

- 11a. What would help you most to increase volume and profits in selling TTY display terminals?

- 11b. What changes in business practice would you like to see from your resellers in order to sell more TTY display terminals?

### ECONOMIC

- 12a. Have you noticed a decline in the growth rate of TTY display sales and new orders in the last 6 months?

( ) YES      ( ) NO

- 12b. If the answer to 12a is NO, do you expect to see a decline in sales and new orders for TTY display terminals in the next 6 months?

( ) YES      ( ) NO

Why?



SALES

- 13a. How many TTY display terminals and TTY keyboard printers did you sell, rent or lease to all your customers in 1978, 1979 and project for 1980?

Number of Units197819791980

TTY Displays

TTY Keyboard Printers

- 13b. What percentage of all your TTY display terminals did you sell to resellers in 1978, 1979 and project for 1980?

Number of Units197819791980

TTY Displays

- 14a. What is the largest number of TTY display terminals that you have sold to any one reseller in any one year?

- 14b. What is the average number of TTY display terminals that you sell to a typical customer in 1979?

- ( ) Less than 5  
 ( ) Less than 50  
 ( ) More than 50

- 15a. What is the average number of TTY display terminals ordered by a typical reseller?

\_\_\_\_\_per month.

\_\_\_\_\_per quarter.

15b. Are these orders a "draw down" from an estimated number of units ordered by a reseller at the beginning of each year?

( ) YES      ( ) NO

16a. Do you have your own company direct sales force to sell TTY display terminals?

( ) YES      ( ) NO

16b. If the answer to 16a is YES, how do you compete with the resellers salesforce?

How do you compensate the reseller if your get the sale?

17a. Which markets do you presently consider to be the most important and lucrative for selling TTY display terminals?

17b. Which future markets do you consider to be the most important and lucrative?

18a. Why do you use resellers in selling your TTY display terminals?

18b. Do you find it more or less profitable to work with resellers in selling your TTY display terminals?

( ) YES      ( ) NO

How much more/less profitable?





